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"RJ Reynolds Says Agreement Reached on Tobacco Surplus"
1994 The Associated Press (12/1/94)

Fayetteville, N.C -- (AP) Tobacco companies have agreed to buy all 700 million pounds of surplus leaf, meaning the 1995 quota will not be decreased, U.S. Rep. Charlie Rose said today. Rose told Fayetteville radio station WFNC that when the quota is announced on Dec. 15, it will not be reduced, and may go up slightly. Quotas are the number of acres of tobacco allowed per state and determine how many farmers can raise tobacco and how much each can grow. If stockpiles had not been reduced to the level required by law before Dec. 15, quotas for 1995 tobacco production would have been cut by the U.S. Department of Agriculture. By federal law, the flue-cured co-op is allowed store 15 percent of the previous year's quota of tobacco, or 120.5 million pounds. The co-op is storing 400 million pounds.

"Low-Smoke Cigarette"
Associated Press (11/29/94)

Brown & Williamson Tobacco Co. has patented a low-smoke, no-tar cigarette similar to the one R.J. Reynolds Tobacco Co. is currently developing., Kentucky's Louisville Courier reported Tuesday. Brown & Williamson received a patent on the cigarette this past July. Although R.J. Reynolds' Eclipse and the one patented by B&W differ in design, they are similar in how they work. Instead of burning, the new

cigarette heats a mixture of tobacco and a chemical such as glycerin that creates an aerosol. The chemical vaporizes and passes through the tobacco as the cigarette is inhaled, which then extracts the tobacco flavor and nicotine without the smoke, odor, and ash. The smoker essentially inhales a nicotine-laced cigarette that has no tar or many of the other cancer-causing chemicals found in cigarette smoke. Analyst Thomas Hoens doubts B&W will move quickly to market the product. "Given what happened with the [Reynolds'] Premier cigarette and how much money Reynolds lost, I think everyone else will be ... waiting to see how they do this time around," Hoens said. Both versions could run into regulatory problems because questions remain about whether low-smoke cigarettes are cigarettes or a completely new type of product that should be regulated by the Food and Drug Administration.

"B.A.T Industries PLC |FTC Goes Ahead With Case Against American Brands Acquisition|"
Wall Street Journal (12/01/94) P. C15

The Federal Trade Commission is going ahead with its administrative case against B.A.T Industries PLC's planned acquisition of American Brands Inc.'s American Tobacco Co. The FTC's five-page complaint, which challenges the acquisition on antitrust grounds, follows an October 31 motion by FTC asking a federal judge in New York to stall the deal. A trial on that motion begins Monday, and if the motion is granted, it would stop the purchase until the FTC finishes its administrative proceedings. In its administrative complaint, the FTC alleges that the acquisition would further concentrate the market, increase the likelihood of actual or tacit collusion, and decrease the chances that new companies could successfully enter the market. Related Stories: Investor's Business Daily (12/01) P. A17; Washington Times (12/01) P. B7; Washington Post (12/01) P. B12

"American Brands Plays on Strength |and Continues Attempt to Sell Off American Tobacco|"
USA Today (12/01/94) P. 3B; Whitestone, Randy

American Brands, owner of American Tobacco Co., announced Wednesday that it plans to sell its Franklin Life Insurance subsidiary to American General for \$1.2 billion. The company also plans on selling its American Tobacco Co. unit to B.A.T Industries for \$1 billion, and although the Federal Trade Commission has objected that the deal will reduce competition, industry analysts believe the deal will be completed soon. Analysts also say that getting out of financial services and tobacco, which provide about 60 percent of American Brands' annual revenue and earnings, will actually raise the stock's value, partly because tobacco stocks have dropped down due to anxiety over product liability suits, tougher regulations, and excise tax increases.

"Smoking Issue Smoulders"
Financial Times (12/01/94) P. 10; Griffith, Victoria

Public hearings on the Occupational Safety and Health Administration's nationwide workplace smoking ban proposal will conclude near the end of December. While anti-smoking advocates have been busy testifying in support of the proposal, the tobacco industry has been attempting to mount opposition to the OSHA proposal through a nationwide advertising campaign, although Philip Morris refused to testify at the OSHA hearings

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Lorillard Inc. and Ally & Gargano in New York said Thursday that they would conclude their relationship on the Newport and Old Gold cigarettes account on March 1, citing "creative differences." The account, with billings estimated between \$18 million and \$20 million, has been placed in review. Arthur Stevens, one of Lorillard's senior vice presidents, said that the company would "terminate" Ally "due to differences over the direction of the Newport advertising." Newport's long-running campaign, which carries the theme "alive with Pleasure," features male and female models in unique poses in pools, pumpkin patches, and other unusual settings. Ally's chairman and chief executive, Bill Luceno, said the relationship was mutually ending "over the way the outdoor and print ads would be executed, what the pictures look like." Ally has handled Newport since 1986. Related Story: New York Times (12/02) P. B5

"Burley Prices Drop Slightly"

Knight-Ridder/Tribune Business News (11/30/94); Stroud, Joseph S.

Prices for Kentucky burley tobacco dropped slightly in most grades on Wednesday due to several reasons, including a decrease in the quality of burley sold and a settling of the market after some power-wielding by the tobacco companies during last week's opening three days. During a recent sale at one Lexington, Ky., warehouse, premium red tips, the highest grade of burley, continued to bring \$1.88 a pound, while other grades appeared to consistently fall between \$1.83 and \$1.85. Almost two-thirds of the recorded marketings suffered losses of about a penny a pound Wednesday, according to the Federal-State Market News Service, with the exception of heavy volume tan, tannish red, and red leaf, which held steady from Monday's prices. Gross sales on Monday totaled 30,516,000 pounds and brought an average price of \$1.8539 a pound, while for the season the average through Monday was \$1.8545. Golden Burley Warehouse manager Clyde Burberry reported that overall the market looked good, while farmer Wayne Logan said the color of this year's burley tobacco crop was much better than 1993's crop.

"The Top 200 Brands |Philip Morris Comes in at Second Place for Ad Spending for First-Half 1994|"

Advertising Age (11/14/94) Vol. 65, No. 48, P. 36

Philip Morris came in at number two on Advertising Age's annual Top 200 Brands list, a compilation of the companies who spent the most on advertising for the first half of 1994. Philip Morris' total measured ad spending came to \$668.3 million, compared with \$578.3 million spent this time last year, a 15.6 percent difference. Philip Morris' ad spending for the seven brands (Marlboro, Kraft Foods, Miller beer, General Foods International coffees, Maxwell House coffees, Nabisco cereals, and Post cereals) it had listed on the Top 200 Mega-Brands list for the first half of 1994 came to \$413.6 million, compared with \$388.3 million spent during the same period in 1993, a 6.5 percent difference. Marlboro came in at number 68 on the Top 200 Mega-Brands list of first-half 1994 spending at \$43.093 million. General Motors Corp. was in first place for the companies who spent the most on advertising, and AT&T telephone services headed the Top 200 Mega-Brands List.

"Tobacco's Holy Grail |The Appeal of the Smokeless Cigarette|"

Financial Times (12/02/94) P. 12; Tomkins, Richard

Financial Times columnist Richard Tomkins reviews Eclipse, R.J. Reynolds Tobacco Co.'s new smokeless cigarette. "If a cigarette could be invented that satisfied users without threatening their health or irritating other people, it would have vast money-making potential," Tomkins says. He comments that aside from the cigarette's construction, "Eclipse has several quirks," such as instead of burning down, the cigarette lasts as long as the carbon tip keeps burning, which is about the same amount of time as ordinary cigarettes. Tomkins also says that when the vapor from Eclipse is exhaled, "it looks like someone's breath in cool air and disappears almost instantly," and that someone walking into a room where people were smoking Eclipse "would probably be able to detect only a faint aroma." Tomkins reminds us that most of the things that could be said about Eclipse could have been said about Premier, Reynolds' previous smokeless cigarette, as well. "Premier flopped because smokers thought it lacked flavor, and what they could taste, they did not like," Tomkins writes. Smokers also said Premier cigarettes were too hot and that they didn't like how the cigarettes wouldn't burn down. Tomkins says that while Reynolds hasn't made up its mind about launching Eclipse yet, the company says it has received enough positive feedback from marketing tests. "A cigarette like Eclipse might ... find a market niche among smokers who found themselves faced with lighting up a smokeless cigarette or nothing at all."

"Smokeless Smoking"

Baltimore Sun (12/02/94) P. 30A

The editors of the Baltimore Sun address how the debate over smoking regulations in public places has dramatically changed in the last few weeks, pointing out that the incoming Republican Congress will most likely not delve into the tobacco industry's practices with the same fervor their Democratic counterparts did last spring. "At the same time," the editors write, "the tobacco industry is striking back." The editors cite Philip Morris as the tobacco company in the "vanguard" of a public relations campaign against smoking opponents with full-page newspaper ads. "Most intriguing of the new developments is the rebirth of the so-called smokeless cigarette," the editors write, referring to R.J. Reynolds' Eclipse cigarette. The editors point out that an earlier smokeless cigarette by Reynolds failed when the company realized that it could not be successfully marketed. "Marketers feared the inevitable question if a 'safer' cigarette were offered: Safer than what? Does that mean the other [cigarettes] are not safe?" the editors wonder. It is ironic, the editors say, that Reynolds' new Eclipse "could play into the hands of another potential foe." Food and Drug Administration Commissioner David Kessler has been getting closer to regulating cigarette sales because they contain nicotine, which he refers to as an addictive drug. The editors concede that while "such a move would touch off a furor," Kessler is a "shrewd reader of political trends [and] may not try to turn the smokeless cigarettes to his advantage."

"Smoking Can Cool Sexual Fire [Cigarette Smoking Major Risk Factor for Impotency]"

USA Today (12/02/94) P. 1D; Friend, Tim

New research finds that cigarette smoking is a major risk factor for impotency. "The subtle image [by the tobacco industry] is that smoking enhances sexual performance, but the reality is it may inhibit sexual function," says Dr. David Mannino of the National Center for